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2012 AUG 21 A 9:37

August 21, 2012

Ms. Jami Bailey, Director  
New Mexico Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

**Hand Delivered**

Re: NMOCD Case No. 14904, Application of Heritage Petroleum, Inc. for  
Compulsory Pooling, Rio Arriba County, New Mexico

Dear Ms. Bailey:

On behalf of Heritage Petroleum Inc., enclosed for filing is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the September 20, 2012 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

Enclosures

400729

**REPLY TO:**

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**Proposed Advertisement**

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Case 14907: Application of Heritage Petroleum, Inc. for Compulsory Pooling, Rio Arriba County, New Mexico. Applicant seeks an order for the compulsory pooling of all interests in all pools or formations developed on 40-acre spacing within the Mancos Shale formation underlying the SE/4 NE/4 of projected Section 27, Township 30 North, Range 1 East in Rio Arriba County, New Mexico. The unit will be dedicated to the following well to be drilled to the Greenhorn member of the undesignated Mancos Shale formation, (WC30N1E27):

Theis Greenhorn Test Well No. 1  
API No. 30-039-31012  
1796' FNL and 1469' FEL (G) (Surface)  
1796' FNL and 1069' FEL (H) (Bottom hole)  
Projected Section 27, T30N, R1E  
Rio Arriba County, New Mexico

Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Applicant as operator and a charge for the risk involved in drilling the well. The well and lands are located approximately one-half mile south of Horse Lake, New Mexico.

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

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2012 AUG 21 A 9:38

**IN THE MATTER OF THE APPLICATION  
OF HERITAGE PETROLEUM, INC. FOR  
COMPULSORY POOLING, RIO ARRIBA  
COUNTY, NEW MEXICO**

CASE NO. 14904

**APPLICATION**

Heritage Petroleum, Inc. by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall, Esq. and Seth McMillan, Esq.), hereby makes application pursuant to *inter alia* NMSA 1978 Section 70-2-17 (1995) for an order providing as follows:

Pooling all interests in all pools or formations developed on 40-acre spacing within the Mancos Shale formation underlying the SE/4 NE/4 of projected Section 27, Township 30 North, Range 1 East in Rio Arriba County, New Mexico.

In support, Applicant states:

1. Applicant owns or controls the majority of the working interests in and under the proposed pooled unit in Section 27, and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced standard pooled unit to the Theis Greenhorn Test Well No. 1 (API No. 30-039-31012) to be directionally drilled from a surface location 1796 feet from the North line and 1469 feet from the East line in the SW/4 NE/4 of projected Section 27 (Unit G) to an unorthodox bottom hole location 1796 feet from the North line and 1069 feet from the East Line in the SE/4 NE/4 (Unit H) to a depth sufficient to test the Greenhorn member of the Mancos Shale formation (WC30N1E27).

3. The well and the lands are prospective for oil. The nearest production is in the Boulder field approximately 11 miles to the west and the well is defined as a wildcat under the Division's rules. The statewide rules for wildcat oil wells currently provide that wells shall be drilled no closer than 330' to the outer boundary of a standard 40-acre spacing unit.

4. The location for the well was originally established at 1643 feet from the North Line and 1575 feet from the East line of projected Section 27. This unorthodox location was previously approved by the Division by Administrative Order No. NSL-6462 issued on September 12, 2011. A  $21.0 \pm$  acre non-standard spacing and proration unit comprised of the E/2 SW/4 NE/4 equivalent of projected Section 27 was dedicated to the well pursuant to Order No. R-13326. Heritage Petroleum is the successor to Blue Dolphin Production LLC, the original operator which applied for and obtained these prior orders.

5. The lands where the well is to be located are known as the Theis Ranch. The surface and a small undivided mineral interest were acquired by the Jicarilla Apache Nation in 1985. At the request of the Jicarilla Apache Nation, the surface location was moved to the southeast to its new location 1796 feet from the North Line and 1469 from the East line of Section 27 and a standard spacing unit comprised of the SE/4 NE/4 is to be dedicated to the well. The ownership of the mineral interest underlying both the E/2 SW/4 NE/4 and the SE/4 NE/4 of Section 27 is identical.

6. Applicant does not have leases or a voluntary agreement for development, pooling or farmout from certain other interest owners in the above-referenced formation underlying the proposed unit.

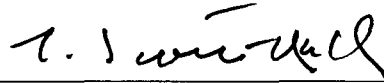
5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the proposed unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on September 20, 2012 and that after notice and hearing as required by law, the Division enter its Order pooling the lands, including provisions for the operator to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the operator in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: 

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